



**SEN. GEORGE RUNNER (RET.)**

MEMBER  
STATE BOARD OF EQUALIZATION  
**CALIFORNIA'S TAX BOARD**

May 20, 2014

Senator Kevin de León, Chair  
Senate Appropriations Committee  
State Capitol, Room 2206  
Sacramento, CA 95814

**RE: ASSEMBLY BILL 1393 (PEREA) - TAXATION: MORTGAGE DEBT FORGIVENESS • SUPPORT •**

Dear Senator de León,

I am pleased to support Assembly Bill 1393, which extends tax relief to homeowners who received home loan modifications in 2013 by conforming state law to the federal American Taxpayer Relief Act of 2012, a measure that extended by one year the sunset date of the Mortgage Debt Relief Act of 2007.

From 2007 to 2012, California law provided homeowners who negotiated a short sale or received a principal reduction the same tax relief provided by the Mortgage Debt Relief Act. In October 2013, at my request, the Franchise Tax Board issued an administrative ruling specifying that borrowers are not subject to state taxation on debt forgiven resulting from a short sale. Unfortunately, the solution only addressed short sales and not principal reductions. Therefore, without a legislative remedy, borrowers who negotiated loan modifications in 2013 and had to report, as taxable income, the amount of debt forgiven by a lender due to a loan modification involving principal reduction are now faced with having pay this tax obligation

Without this bill, many borrowers who faced foreclosure last year and successfully negotiated loan modifications with principal reduction may find themselves once again unable to make their mortgage payments now that they are saddled with a tax burden resulting from forgiven debt. For this reason, AB 1393 is necessary to provide tax relief for thousands of Californians who may have easily been elevated into higher tax brackets based upon forgiven mortgage debt. I urge an "aye" vote when the bill is heard in your committee.

Sincerely,

A handwritten signature in blue ink, appearing to be "G. Runner", written over a horizontal line.

GEORGE RUNNER  
Second District

cc: Assembly Member Perea  
Joe Shinstock, Policy Consultant, Senate Republican Caucus